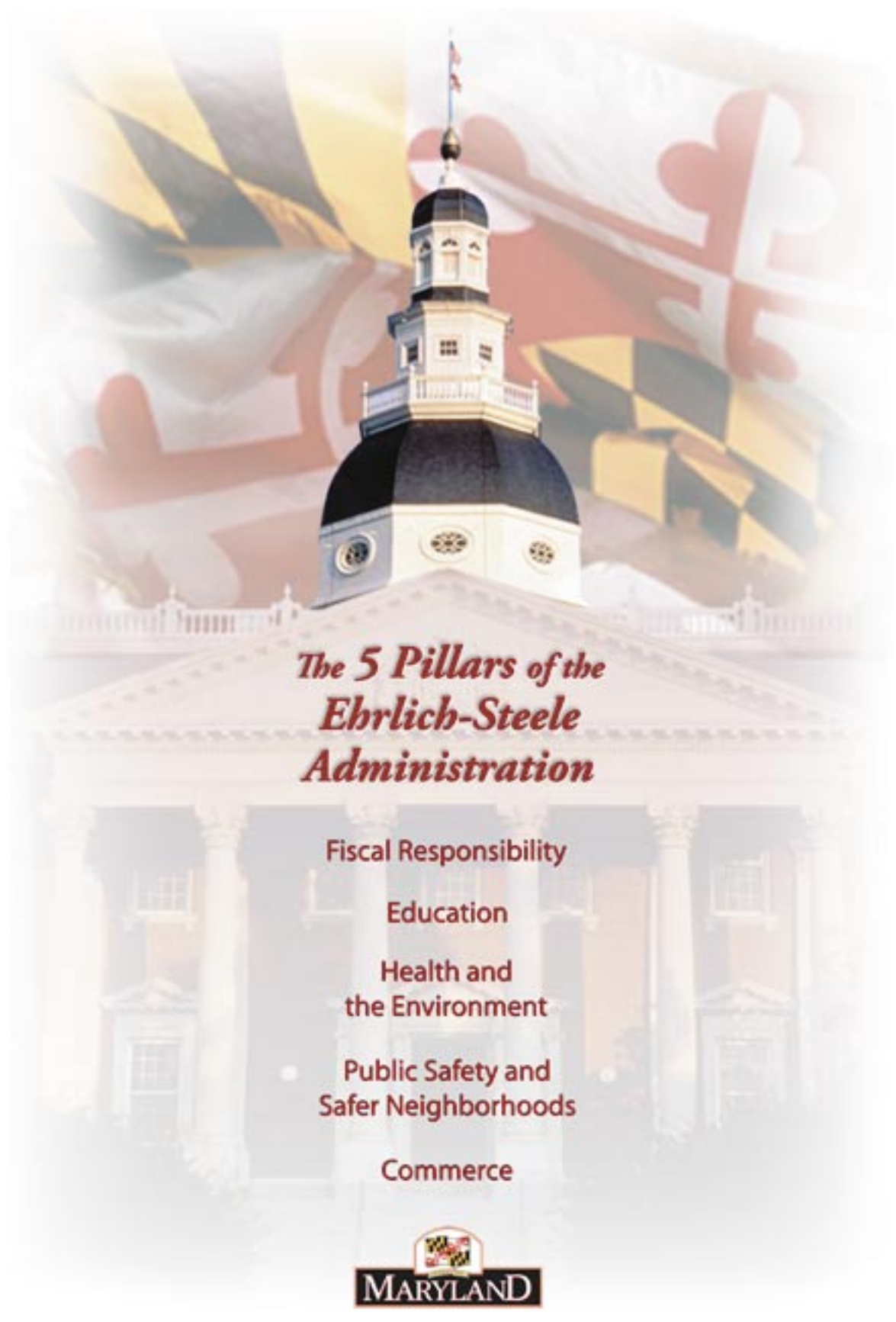


# GOVERNOR EHRlich's FY 2006 Budget



## *The 5 Pillars of the Ehrlich-Steele Administration*

Fiscal Responsibility

Education

Health and  
the Environment

Public Safety and  
Safer Neighborhoods

Commerce





January 19, 2005

The Senate of Maryland  
The Honorable Thomas V. "Mike" Miller, President

The Maryland House of Delegates  
The Honorable Michael E. Busch, Speaker

The Citizens of Maryland

Dear Mr. President, Mr. Speaker, Ladies and Gentlemen of the General Assembly, and Fellow Marylanders:

It is my privilege to submit this 2006 operating budget highlighting my plan to meet the vital needs of our great State - effective public safety, quality education, improved public healthcare, increased economic opportunity, and a healthy environment.

We are able to fund State priorities while significantly reducing the State's budget deficit. Last summer, I directed the Department of Budget and Management to lead State agencies through a Strategic Budgeting exercise, a never before conducted, top-to-bottom review of State services; you may find a copy of this directive at [www.dbm.maryland.gov](http://www.dbm.maryland.gov). The goal of strategic budgeting is twofold: help the State align spending with priorities and control spending. Unlike past years when success was measured by funding increases, Strategic Budgeting concretely measures success by the outcomes benefiting Marylanders and sets funding levels accordingly.

#### *Education*

For the second year in a row, my budget contains the largest K-12 funding increase in Maryland's history: \$396.6 million in general funds. In addition to this historic increase in operating aid, my budget also includes \$155 million, a 55 percent increase, for public school construction. I am pleased to increase State funding for the University System of Maryland by \$43 million; Morgan State University funding by \$2.5 million; St. Mary's College of Maryland by \$615,000; community colleges by \$8 million. Perhaps most importantly, State support for need-based aid increases \$15.5 million, a 29 percent increase. Access to higher education is of paramount concern to me, and this budget rightfully makes higher education more accessible for Marylanders.

#### *Health and the Environment*

The 2006 budget includes a 9% growth in funding for Medicaid services to 644,000 Marylanders and a 6.6% growth in funding for community services provided to 22,000 developmentally disabled individuals. In total, spending for healthcare, including employee and retiree benefits is \$7.4 billion, the State's largest expenditure. This budget continues our most valuable programs while implementing efficiencies for others.

Last legislative session, I sponsored, and the General Assembly passed, the Chesapeake Bay Restoration Act. This initiative, described by the Chesapeake Bay Foundation as, "one of the most important environmental bills of the past twenty years," will invest nearly \$1 billion to rebuild and

upgrade Maryland's wastewater treatment plants, reducing nitrogen pollution into the Bay in half by eliminating seven million pounds of nitrogen pollution per year.

*Public Safety and Safer Neighborhoods*

Providing for the protection and safety of Maryland's citizens remains a top priority for this Administration, and this can only be achieved by supporting programs and tools to break the cycle of crime. This year's budget includes \$20.6 million for a major public safety information technology initiative, providing critical tools to those on the front lines of our criminal justice system. Also, by increasing mental health assessments for juveniles from twenty-seven percent in 2002 to eighty percent this year, and one-hundred percent the following year, we will continue providing the services necessary to reshape the lives of Maryland's at-risk youths. Increased funding for project RESTART will continue the positive trend started last year of supporting programs proven to reduce crime.

*Commerce*

Since taking office, Maryland has benefited from the creation of 50,000 new jobs and dozens of new companies moving to literally every part of the State. Last year, I sponsored, and the General Assembly passed, the Transportation Trust Fund Initiative. This year Marylanders have begun to see the benefits: long delayed roads are finally being built to ease congestion; resourceful mass transit options, such as dedicated bus lanes, are gaining momentum; and the ICC is becoming a long awaited and much needed reality.

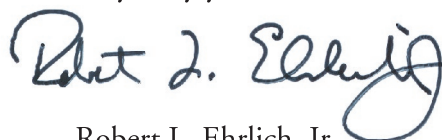
In order to maintain and strengthen our dedicated workforce of public servants, I have included a COLA of two percent for State employees in addition to merit increases. This is the second year in a row I have included additional compensation after over two years with no increases.

For the last two years, I have proposed, and the State Senate has passed my video lottery bill to provide over \$800 million per year for education. I congratulate the members of the Senate and once again urge the House of Delegates to pass this substantial funding program. With these new, dedicated revenues, we can enhance our educational support and expedite needed school construction funding throughout every region of the State.

In the following pages, please find the results of thousands of hours of careful, deliberate thought.

Thank you for your interest.

Very truly yours,

A handwritten signature in blue ink, reading "Robert L. Ehrlich, Jr.", with a stylized flourish at the end.

Robert L. Ehrlich, Jr.  
Governor

## Overview

- \$25.9 billion balanced budget
- \$432 MM K-12 Education increase
  - \$397 MM GF—largest K-12 funding increase in Maryland's history
  - \$5.1 billion total K-12 funding
- \$155 MM for school construction, a 55% increase
- \$67 MM increase in Higher Education funding
  - \$43 MM increase for the University System of Maryland
  - Need based financial aid increases by \$27 MM (\$10MM new, \$17MM transfers)
- \$796 MM “Rainy Day Fund” balance (7%)
- \$106 MM increased support for people with disabilities
- Over \$100 MM for State employee compensation increases
  - 2% Cost of Living Adjustment
  - 2% to 4% step increase
- \$474 MM (10%) increase for Local Aid

## Fiscal Responsibility

- Resolved \$830 MM projected deficit while maintaining historic commitments to education and health care
- Strategic Budgeting focused State government on core missions, outcomes, process improvements and efficiencies
- \$50 MM repayment to the Transportation Trust Fund
- No general sales or income tax increase
- \$796 MM “Rainy Day Fund” balance (7%)
- \$11 MM to enhance Medicaid program integrity and Third Party Liability recovery efforts
- Over \$100 MM for State employee compensation adjustments
  - 2% Cost of Living Adjustment
  - 2% to 4% step increase

## Education

### K-12 Education

- \$5.1 billion in total funds, an increase of \$432 MM (\$397 MM GF) over FY2005, the largest increase to K-12 education in Maryland's history
- \$155 MM for school construction funding (55% increase)
- \$16.5 MM increase to Students with Limited English Proficiency program
- \$15 MM for the Autism Waiver program
- \$4 MM increase for High School Assessments in science, math, and reading
- Education funding, including higher education, totals 45% of general fund budget

### Higher Education

- \$43 MM increase for the University System of Maryland
- \$2 MM increase for Morgan State University
- \$615,000 increase for St. Mary's College of Maryland
- \$27 MM increase to need-based financial aid
  - \$10 MM new general funds
  - \$11 MM proposed conversion from Legislative scholarship programs
  - \$6 MM conversion from Hope scholarship phase-out
- \$192 MM for aid to Community Colleges, an \$8 MM increase—fully funds Cade formula
- \$12 MM for Access and Success and Historically Black Institutions Fund
- \$60,000 for Schaefer Scholarships to encourage careers in public service



## Health & the Environment

### Health

- \$371 MM increase (9%) for Medicaid, providing health care to more than 640,000 people and pharmacy/health services to another 101,000
- \$132 MM for substance abuse treatment
- \$37 MM increase for Medicaid physician reimbursement rates
- \$16.2 MM for DDA wage initiative
- \$9.4 MM increase for the Women, Infant, and Children program
- \$4 MM for Medicaid Ticket to Work program
- \$2 MM increased support for Medicaid Older Adults Waiver
- Four positions added for medical error investigations
- Ten new positions to investigate complaints against physicians
- \$5.2 MM increase in DJS Community per diem budget to allow more appropriate placement of children where services are most effective

## Health & the Environment

### Environment

- \$36 MM to upgrade wastewater treatment plants and sewers
- \$3.8 MM for planting cover crops
- \$3.9 MM for native oyster restoration projects
- \$1.7 MM for expanded State brownfields program.
- \$1MM for Submerged Aquatic Vegetation
- \$147,000 increase for control of lead poisoning in Baltimore City



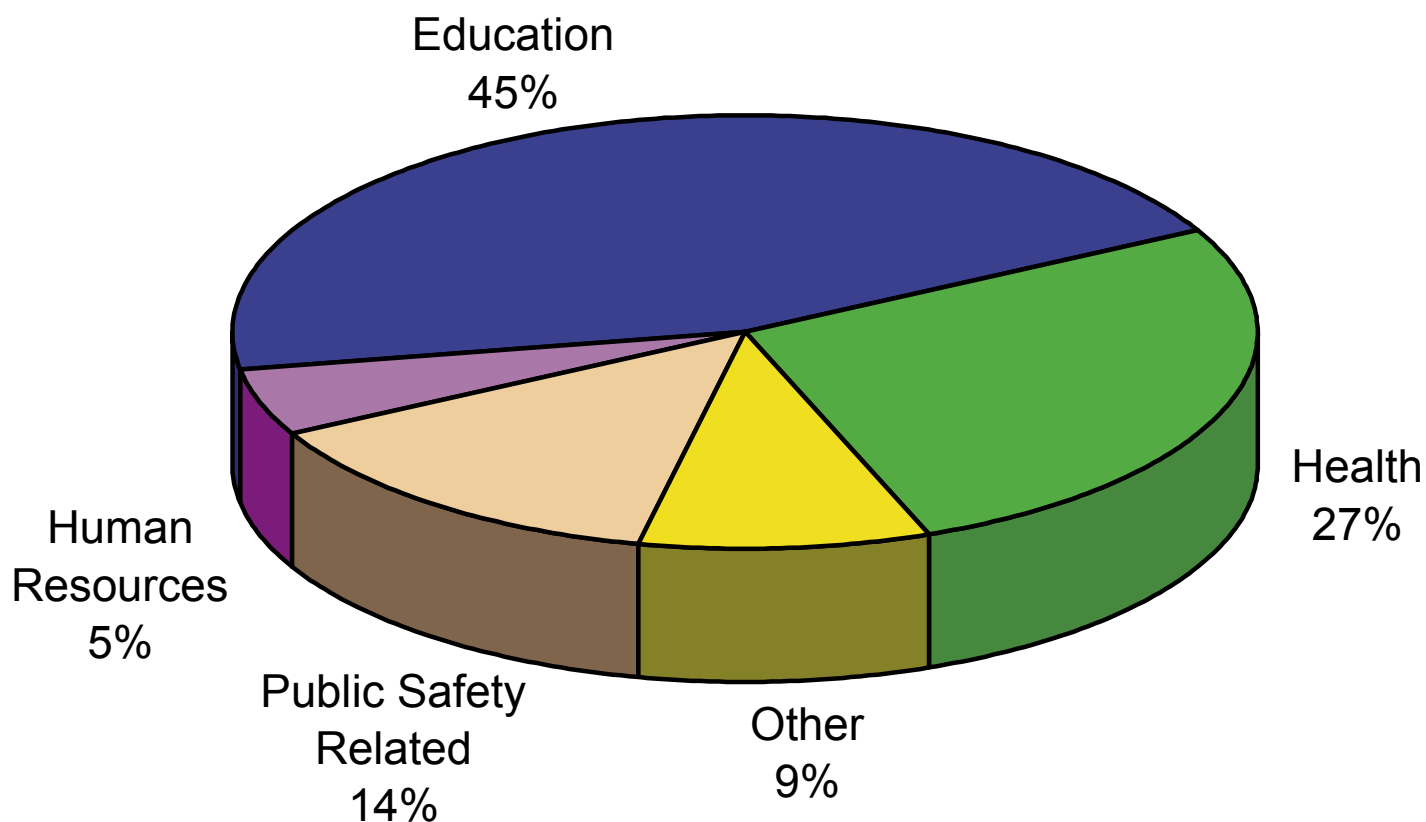
## Public Safety

- \$31 MM to improve information technology used by public safety agencies
  - \$12.5 MM upgrade DPSCS fingerprint data base
  - \$7.5 MM “Smart Car” technology for the State Police
  - \$3.7 MM for infrastructure, hardware, and software at the Department of Juvenile Services
  - \$3.5 MM for Offender Case management system
  - \$1.6 MM for arrest booking and Network Live Scan system to share criminal history data between federal, state and local law enforcement agencies.
  - \$1.2 MM for radios and repeaters for State Police cars
  - \$1 MM to plan for a statewide radio system
- Expanded drug testing in Parole and Probation
- New community-based offender job training programs
- \$1 MM to increase rates for panel attorneys used by the Public Defender

## Commerce

- \$238 MM in additional revenues bolster the transportation trust fund as a result of the Governor's Transportation Financing package
- \$561 MM, a 22% increase in Transportation aid to local governments
- \$34 MM in business assistance programs to provide loans and grants for business development
- \$20 MM for the Heritage Structure Rehabilitation Tax Credit
- \$12 MM for grants to arts organizations
- Funding to double track 9.4 miles of the existing light rail line to enhance service
- \$1.8 billion expansion of BWI airport to be completed in spring 2005. FY2006 budget includes full operations funding for new Concourse A and expanded shuttle bus and parking options
- Nine positions and \$700,000 to enhance paratransit services
- Opening new MVA branch office in White Oak, Maryland
- Renovation of South Locust Point to create Maryland's dedicated cruise ship terminal
- Tax credits to stimulate business and job growth
  - Extension of the Research and Development tax credit
  - Film production wage tax credit
  - Biotechnology tax credit

## FY 2006 General Funds



Education and Health programs comprise 72% of the state's general fund budget.

Adding Human Resources and Public Safety programs brings the total to 91%.

The rest of state government – administrative functions, regulatory programs, business programs, and environmental programs – totals only 9% of the budget.

## Local Aid Summary

(\$ in MM's)

	<u>FY2006</u> <u>Budget</u>	<u>Increase</u> (\$)	(%)
K-12 Education	\$4,020	\$390	10.7%
Community Colleges	\$192	\$8	4.1%
Transportation	\$561	\$102	22.2%
All Local Aid	\$5,111	\$474	10.2%

# GOVERNOR EHRLICH'S FY 2006 Budget



## Local Aid & Assumed Costs

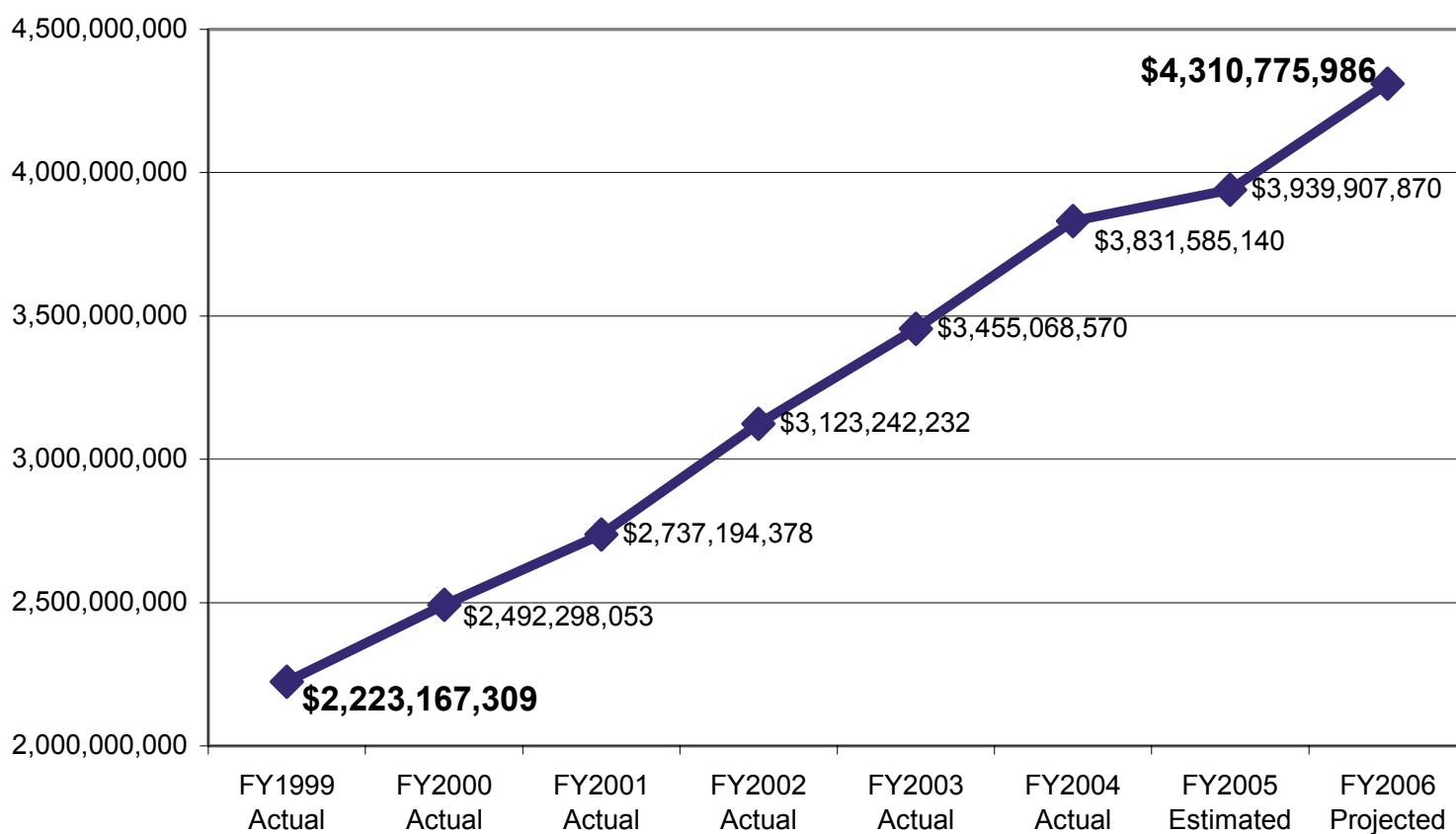
(\$ Thousands)

	Total Aid	Assumed Costs	TOTAL	\$ Change Over 2005	% Change
Allegany	87,749	0	87,749	11,025	14.4%
Anne Arundel	317,591	0	317,591	15,848	5.3%
Baltimore City	1,059,323	152,101	1,211,424	88,145	7.8%
Baltimore County	540,416	0	540,416	50,284	10.3%
Calvert	85,259	0	85,259	2,466	3.0%
Caroline	44,339	0	44,339	4,785	12.1%
Carroll	150,250	0	150,250	14,982	11.1%
Cecil	98,485	0	98,485	10,616	12.1%
Charles	143,548	0	143,548	14,986	11.7%
Dorchester	36,593	0	36,593	3,782	11.5%
Frederick	201,212	0	201,212	25,311	14.4%
Garrett	36,631	0	36,631	2,063	6.0%
Harford	215,218	0	215,218	24,066	12.6%
Howard	202,960	0	202,960	19,514	10.6%
Kent	14,805	0	14,805	1,327	9.8%
Montgomery	498,753	1,753	500,505	40,910	8.9%
Prince George's	882,969	0	882,969	94,878	12.0%
Queen Anne's	35,612	0	35,612	3,776	11.9%
St. Mary's	90,794	0	90,794	11,328	14.3%
Somerset	30,219	0	30,219	3,692	13.9%
Talbot	19,613	0	19,613	1,858	10.5%
Washington	128,550	0	128,550	18,651	17.0%
Wicomico	101,605	0	101,605	11,948	13.3%
Worcester	29,408	2,763	32,171	2,798	9.5%
Statewide/Unallocated	59,065	0	59,065	3,299	5.9%
<b>Total</b>	<b>5,110,967</b>	<b>156,617</b>	<b>5,267,584</b>	<b>482,339</b>	<b>10.1%</b>

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## MEDICAID COMMITMENT: \$4.3 BILLION (TF), SERVING MORE THAN 640,000 NEEDY MARYLANDERS

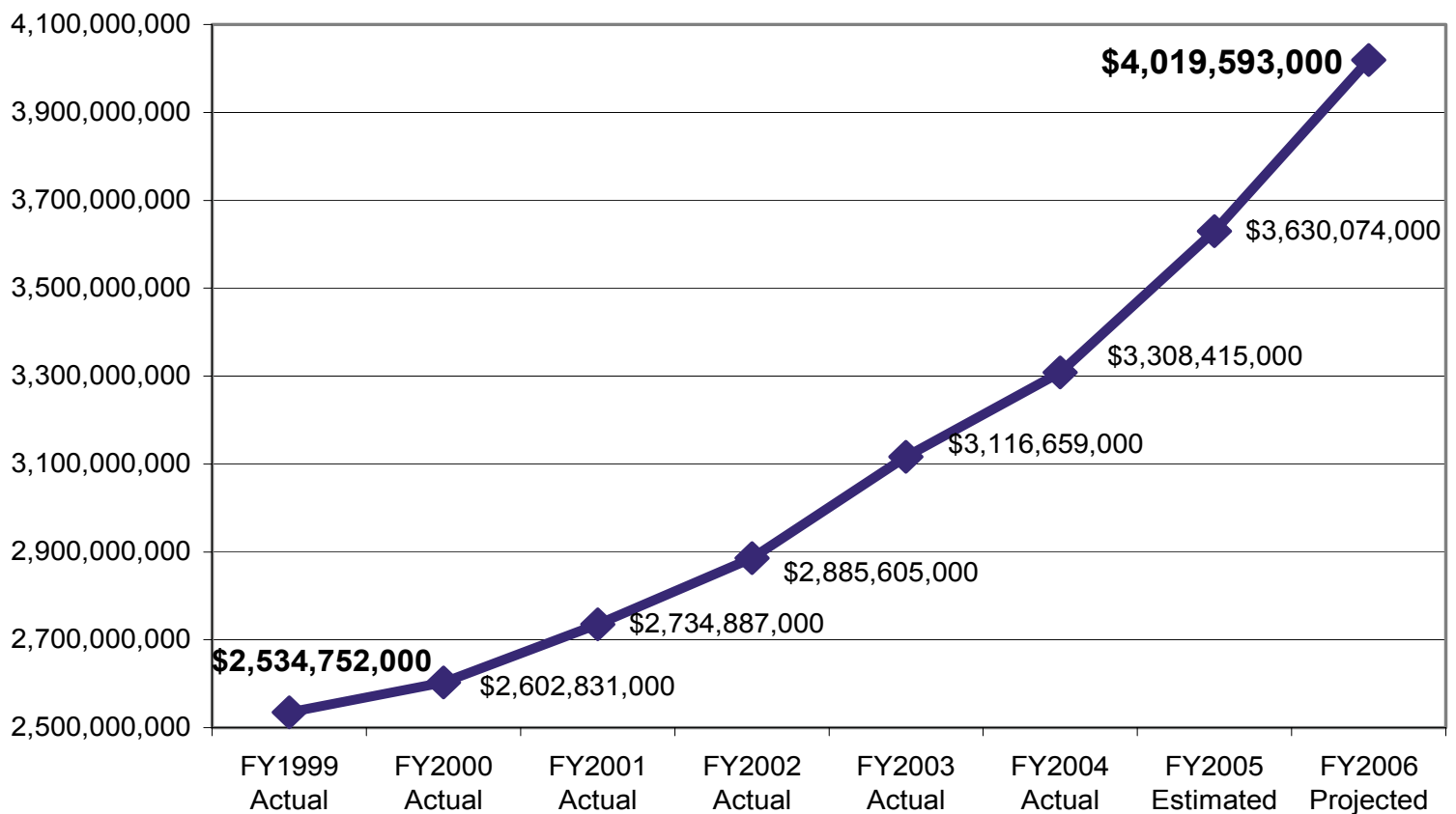




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## FOR THE SECOND CONSECUTIVE YEAR, EDUCATION AID (GF) INCREASES BY A RECORD AMOUNT\*



\*Excludes \$7 MM GF increase in other areas of MSDE